

Message Text

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ACTION AF-10

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C O N F I D E N T I A L THE HAGUE 3409

E.O. 11652: GDS
TAGS: EAID ZA IBRD
SUBJECT: IBRD CONSULTATIVE GROUP MEETING ON ZAMBIA IN PARIS,
JUNE 27-29, 1978

REF: STATE 154363

1. SUMMARY. THE NETHERLANDS WILL NOT PLEDGE AID FOR ZAMBIA
AT THE CONSULTATIVE MEETING JUNE 27-29. DUTCH ASSISTANCE
TO ZAMBIA IS UNLIKELY TO INCREASE BEYOND THE LEVEL OF 12
MILLION GULDERS ALLOCATED IN 1978. END SUMMARY.

2. ZAMBIA IS ONE OF 17 COUNTRIES ON WHICH THE NETHERLANDS
CONCENTRATES ITS AID FUNDS, BUT TWO FACTORS MAKE THE OUTLOOK
POOR FOR ANY INCREASE. THE FIRST GENERAL FACTOR IS THAT
THE SLOWER THAN FORESEEN RATE OF GROWTH OF THE DUTCH ECONOMY
WILL SHRINK THE ABSOLUTE AMOUNTS AVAILABLE FOR DEVELOPMENT
COOPERATION, EVEN IF THE SHARE OF GNP REMAINS AT THE SAME
HIGH LEVEL. THE SECOND SPECIAL FACTOR IS THAT THE RATE
OF DISBURSEMENT OF DUTCH FUNDS TO ZAMBIA OVER THE LAST
THREE YEARS HAS BEEN RUNNING AT ONLY TEN PERCENT.

3. THE NETHERLANDS GOVERNMENT DOES NOT PLAN TO PLEDGE AID
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AT THE MEETING OF THE CONSULTATIVE GROUP, IT HAS AL-
READY ALLOCATED ZAMBIA FIVE MILLION GULDERS FOR TECH-
NICAL ASSISTANCE AND SEVEN MILLION GULDERS FOR FINAN-
CIAL AID FOR CALENDAR YEAR 1978. (ONE DOLLAR CURRENTLY
EQUALS 2.24 GULDERS.)

4. THE HEAD OF THE DUTCH DELEGATION TO THE CONSULTATIVE

GROUP MEETING, DRS W.G. WESSELS, TOLD US JUNE 21 THAT THE NETHERALNDS IS ESPECIALLY CONCERNED ABOUT ZAMBIA'S DEVELOPMENT BECAUSE OF ITS GEOPOLITICAL IMPORTANCE. NEVERTHELESS, THERE ARE PRACTICAL LIMITS ON ZAMBIS'S ABILITY TO ABSORB ADDITIONAL, PARTICULARLY PROJECT AID.

5. ON THE KEY ISSUES MENTIONED IN REFTEL, WESSELS AND HIS DEVELOPMENT COOPERATION MINISTRY COLLEAGUE, MR M. HILBERTS, GAVE US THE FOLLOWING VIEWS.

--ZAMBIAN AGRICULTURAL DIVERSIFICATION PLANS. THE ZAMBIANS ARE RIGHT TO PURSUE SUCH DIVERSIFICATION. THEY NEED TO PERSUADE WHITE SETTLERS TO REMAIN IN ORDER TO TAKE ADVANTAGE OF THEIR PRODUCTIVITY BUT THE ZAMBIANS ALSO NEED TO HELP BLACKS DEVELOP RURAL AREAS. LOW WORLD PRICES FOR COPPER ARE FORCING THE ZAMBIANS TO TAKE THE STEPS TO LESSEN THEIR AGRICULTURAL IMPORTS. THE NETHERLANDS FEARS THAT A RECOVERY IN COPPER COULD CAUSE THE ZAMBIANS TO SLACKEN THEIR AGRICULTURAL DIVERSIFICATION.

--ADEQUACY OF CURRENT STABILIZATION MASURES. THE WORLD BANK REPORTS ON WHICH THE DUTCH BASE THEIR VIEWS SEEM ADEQUATE. ZAMBIA APPEARS TO HAVE DONE AS MUCH AS IT CAN DO. THE ZAMBIANS NOW NEED PROGRAM AID TO SUPPORT IMPORTS.

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--NEED FOR ADDITIONAL FOREIGN ASSISTANCE. IN ALLOCATING DEVELOPMENT COOPERATION FUNDS, THE DUTCH GOVERNMENT SETS ASIDE A SUM FOR THE 18 COUNTRIES ON WHICH IT CONCENTRATES ITS AID. THE GOVERNMENT THEN WEIGHS HOW WELL EACH COUNTRY IS USING AID ALREADY EXPENDED. THE GOVERNMENT DECIDES THE PROPORTION EACH COUNTRY SHOULD OBTAIN ON THE BASIS OF THIS ASSESSMENT. WESSELS AND HILBERTS INDICATED THAT UNDER THIS SCRUTINY ZAMBIA WOULD NOT DO AS WELL NEXT YAR AS IN 1978. THEY POINTED OUT, HOWEVER, THAT ZAMBIA MAY QUALIFY FOR AN ADDITIONAL FUND THE GOVERNMENT PLANS TO USE IN 1979 (LAST USED IN 1977), WHICH WOULD HELP COUNTRIES WITH SERIOUS BALANCE OF PAYMENTS DEFICITS.

--IMPACT ON ZAMBIAN ECONOMY OF POLITICAL AND MILITARY CONFLICTS IN THE REGION. THE EFFECT OF THE CONFLICTS IS OBVIOUS, LEADING TO SHORTAGES, TEMPORARY SHUTDOWNS AND WORKER UNREST.
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